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SUBJECT: RUSSIA - UKRAINE RELATIONS: STRENGTHENING ECONOMIC
TIES FOR NOW

Classified By: Acting Political M/C Bob Patterson. Reasons 1.4 (B/D).

¶1. (C) Summary. In recent conversations, both the MFA and the Ukrainian Embassy characterized the Russia - Ukraine bilateral relationship as at an all time low. Ukraine's NATO aspirations dominate and negatively affect all aspects of the relationship. Other disputes, including the sluggish, contentious negotiation over Russia's Black Sea Fleet (BSF) in Sevastopol, Ukraine's "reinterpretation" of its shared history with Russia, Russian-language education in Ukraine, and Yushchenko's efforts to establish an independent Ukrainian church, continue to shadow the relationship. The Ukrainian Embassy pegged the Bucharest NATO summit as the point at which an accumulation of minor irritants became considerably less tolerable to the Russians. PM Tymoshenko's recent Moscow visit affirmed that the two countries have much to gain through economic cooperation, but those economic ties are overshadowed and threatened by the political discord. End summary.

NATO: Breaking Point

¶2. (C) MFA CIS Second Department Director Viktor Sorokin told us July 2 that the Russia - Ukraine bilateral relationship was "complicated," with no improvement likely in the near future. Russia and Ukraine had "no common language," said Sorokin. One contribution the West might make, he thought, would be to leave Ukraine alone rather than "pulling" it in a direction for which Ukraine was not prepared and which was not helpful to its neighbors. Sorokin believed that continued confusion among the Ukrainian leadership made cooperation difficult. He predicted more political chaos in Ukraine before and after the referendum on NATO, should one be staged. Per Sorokin, the GOR was trying to counter the political deadlock with economic cooperation from which both countries would benefit. He warned, however, that NATO membership would change the economic calculus. (On June 28, immediately after the meeting with visiting PM Tymoshenko, Putin issued a statement warning of the consequences of NATO membership for bilateral economic cooperation.)

¶3. (C) Besides NATO, political disharmony abounds: the BSF and Sevastopol, Ukraine's effort to re-write (from the Russian point of view) the countries' shared history, Russian-language education in Ukraine, and the Orthodox church remain bones of contention. In a June 23 interview with Ogonyok magazine, DFM Karasin expressed anger at Yushchenko's decree ending the presence of the BSF in Crimea after 2017. The decree, Karasin said, had undercut much of what had been achieved up to that point in the BSF negotiations. Moscow Mayor Luzhkov's May 12 visit to Ukraine -- especially his comments asserting Russia's right to the naval base -- and the GOU's subsequent decision to bar Luzhkov from entering Ukraine; as well as DPM Ivanov's equally contentious June 14 visit to Sevastopol, exemplified

the GOR's "if-NATO-then-this" rhetoric. According to Sorokin, one of Yushchenko's biggest mistakes was to focus on his "crusade" to redefine Ukraine's history and make "questionable personalities," such as Roman Schukevich and Ivan Mazepa, into national heroes, instead of strategizing about the economy.

Economic Cooperation for Now

¶4. (C) Sorokin warned that the ending of close economic ties between the two countries in energy, transport, space, aviation and military industries would have a profoundly disruptive effect on both economies. Indeed, Putin had said that Russia would terminate the "lucrative" deals that Ukraine's arms and space industries were enjoying if Ukraine joined NATO. Ukraine would then have to invest heavily in retrofitting its industries to meet the Western alliance's standards. According to Sorokin, Tymoshenko, more than Yushchenko, understood the importance of economic cooperation with Russia, and the Russian and Ukrainian prime ministers during Tymoshenko's visit had focused not on the gas price, which inevitably would rise, but on ways to cope with the high price of energy. The GOR, said Sorokin, hoped that intensified economic ties would change the Ukrainians' political views. If that failed, and Ukraine joined NATO, there would be economic consequences.

Ukrainian Embassy View

¶5. (C) The Ukrainian Embassy maintained that the Russia - Ukraine relationship had taken a nose-dive with the Bucharest NATO summit. Political Counselor Myroslava Scherbatyuk thought that all subsequent Russian moves had been linked to NATO, such as a the revival of discussions about the status of Crimea and the Duma's re-examination of the Treaty. Scherbatyuk thought the Duma's June 4 resolution, which recommended that the GOR abrogate the Russia - Ukraine Treaty if Ukraine joined NATO was "ominous." Ominous as well, she said, was the decision to establish a separate budget for an information campaign in Crimea. Russia's NATO "hysteria" meant that every additional minor irritant got blown out of proportion, Scherbatyuk said. The GOR's repeatedly expressed displeasure with the state of Russian language education was designed to force Ukraine to make Russian an official language. According to Scherbatyuk, Yushchenko's plan to establish an independent Ukrainian church was a painful topic for the Russians, who saw it as aimed at the authority of the Russian Orthodox Church.

¶6. (C) Yushchenko and Medvedev met briefly on June 6 during the CIS informal summit in St. Petersburg. Medvedev reiterated GOR positions on political issues such as NATO, Russian language education in Ukraine and an independent Ukrainian church, while emphasizing the importance of Russian investment in Ukraine. PM Putin is scheduled to visit Kyiv in September and President Medvedev before the end of the year. Both the MFA and the Ukrainian Embassy expressed concern that with the Ukrainian electoral season approaching, the confused political situation in Ukraine would complicate the already strained relationship. Sorokin said that different political factions in Ukraine continued to seek domestic political advantage by leveraging Russia - Ukraine relations, rather than promoting mutual interests through concrete projects.

BEYRLE